

State of Alaska
Department of Law

David W. Márquez
Attorney General
P.O. Box 110300
Juneau, Alaska 99811-0001
NEWS RELEASE



Press Contact: Mark Morones

907-269-6393
FAX: 907-269-6305
www.law.state.ak.us

Protecting Alaska's Future

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**Amerquest to Pay \$325 Million and Reform its Lending Practices to
Resolve States' Investigations**

(Anchorage) – Alaska Attorney General David Márquez announced today that Amerquest Mortgage Company, the nation's largest sub-prime lender, has agreed to pay \$295 million to consumers and make sweeping reforms of practices that states alleged amounted to predatory lending. Amerquest also will pay a total of \$30 million to the 49 states and the District of Columbia that are participating in the settlement agreement for costs of the investigation and consumer education and enforcement.

"We believe that Amerquest engaged in unfair and deceptive practices that harmed consumers – practices they have agreed to change," said Márquez. "This is a landmark agreement that will set standards we expect other mortgage lenders to follow. We commend Amerquest for reaching this settlement."

In the agreement, Amerquest denies all the allegations raised by the states, but the company agreed to a number of new standards to prevent what the states alleged were unfair and deceptive practices.

"Our view was that Amerquest employees deceived consumers as part of high-pressure tactics to sell mortgage refinances," said Márquez. "We believe these high-pressure sales tactics were used to reach desired sales levels and high monthly individual sales quotas, and were induced by a lopsided commission structure. We believe this agreement will correct these practices."

The settlement includes ACC Capital Holding Corporation (the holding company) and its subsidiaries Amerquest Mortgage Company, Town & Country Credit Corporation, and AMC Mortgage Services, Inc., f/k/a Bedford Home Loans. The company is based in Orange, California.

Amerquest primarily makes refinancing loans to existing homeowners who are hoping to consolidate credit card and other debt into their new home mortgage and come out ahead with overall monthly savings. Borrowers who don't have the best credit ratings may turn to sub-prime loans, which often have higher interest rates and other costs.

More

About half of the 49-page agreement spells out the wide-ranging reforms of the company's lending practices. Under the agreement, Ameriquest is required to:

- Provide the same interest rates and discount points for similarly-situated consumers.
- Not pay sales personnel incentives to include prepayment penalties or any other fees or charges in the mortgages.
- Provide full disclosure regarding interest rates, discount points, prepayment penalties, and other loan or refinancing terms.
- Overhaul appraisal practices by removing branch offices and sales personnel; from the appraiser selection process, instituting an automated system to select appraisers from panels created in each state, limiting the company's ability to get second opinions on appraisals, and prohibiting Ameriquest employees from influencing appraisals.
- Not encourage prospective borrowers to falsify income sources or income levels.
- Provide accurate, good faith estimates.
- Limit prepayment period penalties on variable rate mortgages.
- Not engage in refinancing solicitations during the first 24 months of a loan, unless the borrower is considering refinancing.
- Use independent loan closers.
- Adopt policies to protect whistle-blowers and facilitate reporting of improper conduct.

The agreement also provides for appointment of an independent monitor to oversee Ameriquest's compliance with the settlement terms. The monitor will have broad authority to examine Ameriquest's lending operations, including access to documents and personnel. The monitor will submit periodic compliance reports to the Attorneys General during the next five years. Ameriquest will pay the monitor's costs.

The company will pay \$325 million - \$295 million for consumer restitution and \$30 million to settling states to cover their costs and fund consumer education and consumer protection enforcement programs. Consumers do not need to take any action at this point to pursue recoveries – they will be contacted later by states in the months ahead as specific recovery terms and plans are determined.

Of the \$295 million in restitution, \$175 million will be distributed in a nationwide claims process to eligible Ameriquest customers who obtained mortgages from January 1, 1999 through April 1, 2003, with payments based on a formula set by the settling states.

Another \$120 million in restitution will be allocated to the settling states based on the percentage of total Ameriquest loans (measured in dollars) held by consumers in each state and will be used to compensate Ameriquest customers who obtained mortgages between January 1, 1999 and December 31, 2005. Each settling state will determine which customers in its jurisdiction are eligible to receive money from this restitution fund.

Individual states' exact share of the restitution funds has not been determined. A rough estimate for Alaska is that its consumers may receive about \$206,000 in payments as a result of the settlement.

For additional information about this settlement please contact Assistant Attorney General Julia Coster at (907) 269-5200. A copy of the settlement will be posted on the Department of Law's website at: www.law.state.ak.us.

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